

# WANANGKURA STADIUM

*“The Town of Port Hedland failed to undertake adequate management of the project.”*

- John Langoulant, Special Inquirer

In early 2009 construction of a multipurpose recreation centre (Wanangkura Stadium) was identified as one of the most urgent priorities for the Town of Port Hedland to satisfy community needs driven by a growing population. But its official opening by the then Premier, Colin Barnett, in July 2012 gained publicity for all the wrong reasons.

Fire control requirements for the complex were considered inadequate and stop gap measures were applied for the first few days. Then the complex was closed — at additional expense — while the problem was fixed.

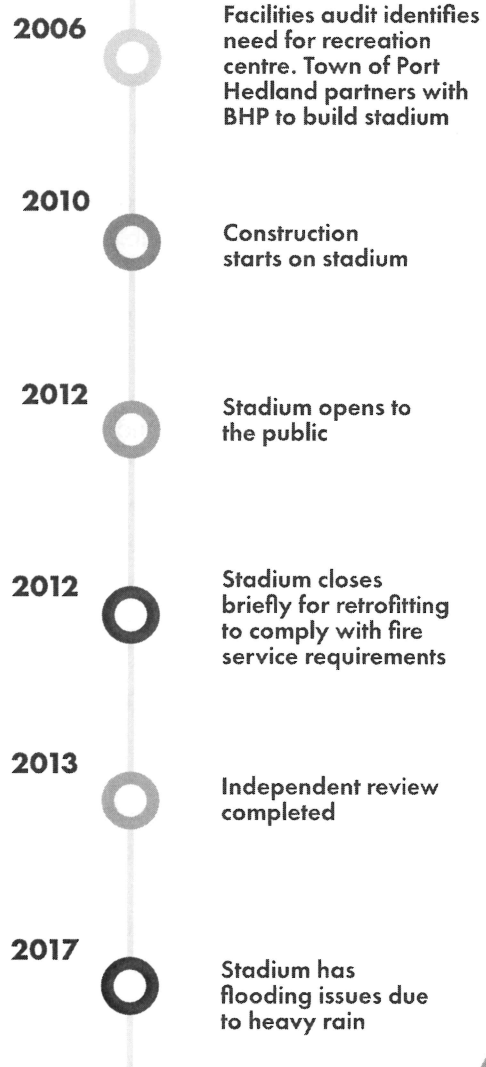
The project was completed at a cost of \$35.8 million which was slightly more than the figure projected in 2009, although the Town’s records are inconsistent on this detail.

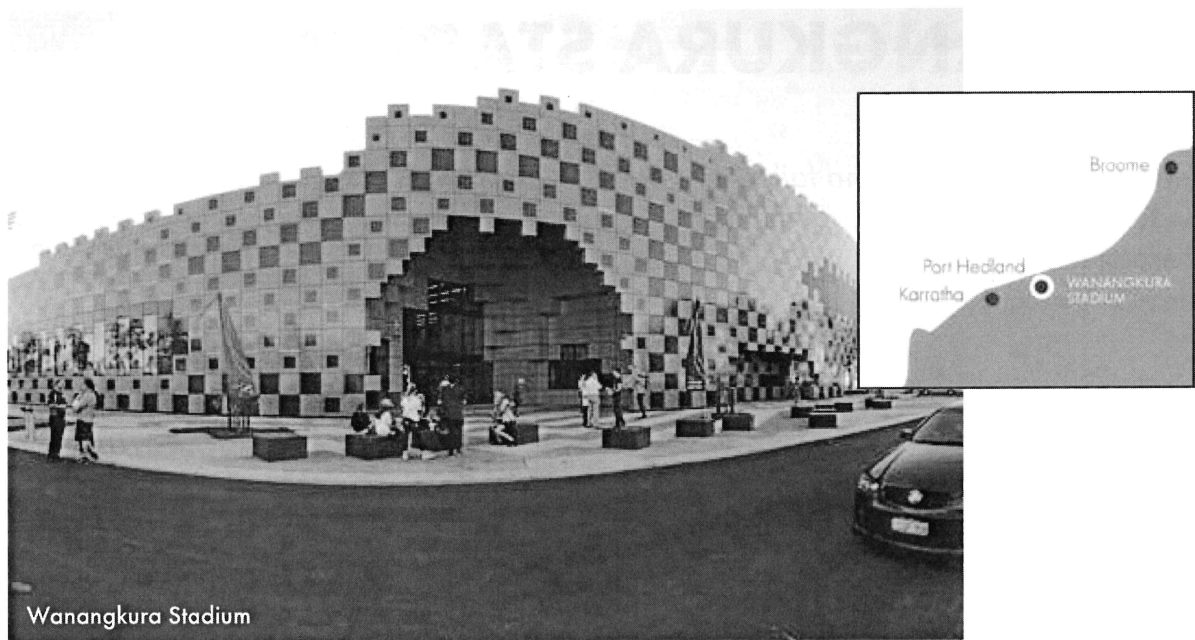
The process itself had a number of shortcomings. There was no business case, planning or initial analysis which would be expected for a project of this scale, and work started without formal funding agreements with the contributors.

It was apparent that the Town failed to undertake adequate management of the project. That the site is prone to annual flooding should have been obvious at the design phase.

The Town has advised that the average annual operating deficit for the stadium is \$380 000.

<p><b>Government agency:</b> Town of Port Hedland, Department of Local Government and Regional Development, Department of Regional Development and Lands (now Department of Primary Industries and Regional Development), Department of Regional Development (now Department of Primary Industries and Regional Development)</p> <p><b>Project timeline:</b> 2006 - 2013</p> <p><b>Total cost</b> \$35.8 million</p> <p><b>Total cost to Government:</b> \$21.565 million</p>
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## SUMMARY

Plans for the Wanangkura Stadium (multipurpose recreation centre) in South Hedland began in early 2006 as part of the Town of Port Hedland's Community Development Project.

The Town considered the concept of a new recreation centre and the proposal was developed further after a recreation facilities audit and a feasibility study were completed.<sup>1</sup>

The Town of Port Hedland secured funding for the Community Development Project specifically for the stadium. The Royalties for Regions Pilbara Revitalisation Program was one of the sources of funding.

Construction commenced in 2010 and was plagued with delays including design and engineering flaws.

While the stadium seems to have been delivered close to budget at just over \$35 million, there have been additional costs due to delays and remediation. Ongoing costs were not well thought through and the annual deficit for the Town of Port Hedland is \$380 000. Use of the facility is at the low end of expectations, and there are issues with flooding.

The opening of the stadium was fraught with problems. It was closed three days after opening as it did not meet the requirements of the Building Code of Australia.

The project was poorly planned. Governance was inadequate and financial estimates, costs and benefits were undeveloped. Procurement processes were deficient and contracts were not well managed.

The Town of Port Hedland has informed the Special Inquirer that some improvements have been made to processes as a result of learnings from this project.

<sup>1</sup> Town of Port Hedland, *Minutes: Ordinary Council Meeting*, (22 February 2006), 51.

## PROJECT SYNOPSIS

In February 2006, as part of the Community Development Project, the Town of Port Hedland established a Recreation Facilities Working Group. The working group was to commission an audit of recreation facilities and consult with key stakeholders. The audit report resulted in a five year Sports Facility Capital Development Plan and recommended development of a multi-purpose recreational sporting centre in South Hedland, potentially on or nearby to the site occupied by the Finucane Island Club.<sup>2</sup>

The report was open for community feedback in July 2006. Eight submissions were received, with the majority being supportive of the recommendations.<sup>3</sup>

The Town of Port Hedland Council engaged Paterson Group Architects in March 2007 to prepare a feasibility study and concept plan for the multipurpose recreation centre.<sup>4</sup> The study was considered by the Council in September 2007 and released for community feedback.<sup>5</sup> At the November 2007 council meeting it was noted that of the six submissions received regarding the feasibility study, one expressly opposed the continuation of the project and the remainder were supportive.<sup>6</sup> It was resolved at the meeting to note the study and to undertake a tender process to develop architectural designs as well as more detailed and accurate cost estimates for the centre.<sup>7</sup>

Ashton Raggat and McDougall architects were appointed in May 2008 to design the multipurpose recreation centre at a cost of \$1.5 million.<sup>8</sup> At this time the Council resolved to change the location of the centre from the area occupied by the Finucane Island Club to another site.<sup>9</sup>

In January 2009, the multipurpose recreation centre was identified as one of the most urgent priorities in the Town of Port Hedland to meet existing community needs and accommodate the growing population.

At this time, the Town of Port Hedland made an application to the Department of Local Government and Regional Development (now the Department of Primary Industries and Regional Development) for \$20.2 million for the Community Development Project. Of this, \$10.5 million was to be used for the multipurpose recreation centre. The funding was approved by Cabinet in June 2009.<sup>10</sup>

On 29 June 2009, the Town of Port Hedland and the Department of Local Government and Regional Development entered into a financial assistance agreement<sup>11</sup> whereby the funding would be sourced

<sup>2</sup> Complete Community Solutions Strategic Management, *Sports Facility Audit Draft Final Report*, (24 July 2006), 47.

<sup>3</sup> Town of Port Hedland, *Minutes: Ordinary Council Meeting*, (27 September 2006), 117-120.

<sup>4</sup> Town of Port Hedland, *Minutes: Ordinary Council Meeting*, (28 March 2007), 67.

<sup>5</sup> Town of Port Hedland, *Minutes: Ordinary Council Meeting*, (26 September 2007), 169.

<sup>6</sup> Town of Port Hedland, *Minutes: Ordinary Council Meeting*, (28 November 2007), 142-143.

<sup>7</sup> Ibid.

<sup>8</sup> Town of Port Hedland, *Minutes: Ordinary Council Meeting*, (28 May 2008), 142-143.

<sup>9</sup> Town of Port Hedland, *Community Infrastructure Implementation Plan (Hedland's Future Today 2009 – 2014)*, (January 2009), 11.

<sup>10</sup> Department of Primary Industries and Regional Development response to Special Inquiry Questions on Notice, received 26 September 2017.

<sup>11</sup> Department of Local Government and Regional Development and Town of Port Hedland, *Financial Assistance Agreement for A Royalties for Regions Project*, (29 June 2009).

through the Royalties for Regions fund pursuant to the Pilbara Revitalisation Plan.<sup>12</sup>

The financial assistance agreement was varied in December 2009 when the multipurpose recreation centre funding was increased from \$10.5 million to \$11.1 million.<sup>13</sup> The increase of \$600 000 was made possible by the deferral of another local project. At this point, the Town estimated that there was a \$3.25 million shortfall in the funding for the recreation centre.<sup>14</sup>

Doric Constructions Pty Ltd (Doric) was appointed in July 2010 to build the centre<sup>15</sup> and construction was expected to commence on 1 September 2010. The construction contract value was \$26.1 million.<sup>16</sup>

Engineering consultants were engaged to provide engineering drawings. The drawings had errors and there were omissions in multiple drawings including the structural drawings. The Special Inquirer understands the Town received legal advice that the consultant's behaviour did not amount to negligence and therefore damages should not be sought. In October 2010, an increase of \$402 441 in the contract price was approved by the Council to accommodate engineering deficiencies that had occurred due to the errors and omissions in the engineering drawings.<sup>17</sup>

A further Deed of Variation for the financial assistance agreement between the Town of Port Hedland and the Department of Regional Development and Lands was entered into in April 2011 to reflect a change in the project completion date to June 2012.<sup>18</sup>

In November 2010 the Town of Port Hedland appointed Complete Community Solutions Strategic Management to prepare a plan for the operational management of the recreation centre. An investigation by Complete Community Solutions Strategic Management revealed that the existing floor design lacked functionality and was likely to result in a higher operating deficit. Having considered available redesign options, the Town of Port Hedland Council resolved to authorise spending of \$17 000 to provide 24-hour gym access at Wanangkura Stadium in an attempt to improve its future operating deficit.<sup>19</sup> The interim management plan for the centre was endorsed in June 2011 with the operator, the Young Men's Christian Association, which was appointed in March 2012.

Just prior to the planned opening, the Council became aware that water flow and pressure at the centre was "insufficient ... to comply with fire control requirements". According to minutes of the council meeting, the Town of Port Hedland was advised that the issues had been addressed, although the Town of Port Hedland was unable to explain who provided this advice. Later inspection of the facility on 26 July 2012 indicated the

<sup>12</sup> Department of Primary Industries and Regional Development responses to Special Inquiry questions on notice, received 26 September 2017.

<sup>13</sup> Department of Local Government and Regional Development and Town of Port Hedland, *Financial Assistance Agreement for A Royalties for Regions Project – Request for Variation*, (December 2009).

<sup>14</sup> Department of Primary Industries and Regional Development, *2009-10 Q1 CPD spreadsheet*, (undated).

<sup>15</sup> Town of Port Hedland, *Minutes: Ordinary Council Meeting*, (28 July 2010), 198.

<sup>16</sup> Core Business Australia Pty Ltd, *Town of Port Hedland Wanangkura Stadium Review*, (14 May 2013), 40.

<sup>17</sup> Town of Port Hedland, *Confidential Item: Special Council Meeting*, (15 October 2010), 5.

<sup>18</sup> Department of Regional Development and Lands, *Deed of Variation*, (April 2011), 10-11.

<sup>19</sup> Town of Port Hedland, *Minutes: Special Council Meeting*, (14 September 2011), 65.



issues “perhaps were not resolved”. Consequently a number of temporary measures were put in place to enable the official opening celebrations to proceed while potential solutions were investigated.<sup>20</sup>

Opening celebrations took place over three days in late July 2012 and culminated with the official opening by the Premier. Wanangkura Stadium was made available for public use on 30 July 2012 but was closed on 3 August as the facility was not compliant with the Building Code of Australia.

An independent review of the project was undertaken<sup>21</sup> and senior management was authorised to negotiate a variation to the construction contract with Doric. Remediation works were undertaken in two stages at a total cost of \$768 912.<sup>22</sup>

The Town of Port Hedland was given a temporary permit for the reopening after the first stage of remediation was completed in September 2012. The second stage of remediation works were completed in March 2013.

## **EVALUATION OF THE PROJECT**

The Special Inquirer notes advice from the Town of Port Hedland dated 26 September 2017 that records associated with the Wanangkura Stadium could not be located and senior staff who had been involved with the project were no longer employed at the Town of Port Hedland.<sup>23</sup> Representatives were unable to answer most of the questions at the hearing held with the Town of Port Hedland and therefore took questions on notice.

While the audit and feasibility study provide evidence to justify the decision to build a multipurpose recreation facility, governance, planning, risk management, procurement and contract management were all weak.

### **Governance**

It is not evident that there was a steering committee for this project. The Town of Port Hedland Council apparently oversaw the project and made material decisions. The Recreation Facilities Working Group was initially formed in February 2006 to advise the Council on community requirements for facilities.

<sup>20</sup> Town of Port Hedland, *Minutes: Ordinary Council Minutes*, (8 August 2012), 179.

<sup>21</sup> *Ibid.*, 189.

<sup>22</sup> Town of Port Hedland, *Minutes: Special Council Meeting*, (1 November 2012), 15, 19.

<sup>23</sup> Town of Port Hedland responses to Questions on Notice, received 27 September 2017 and 1 October 2017.

...the Town received legal advice that the consultant's behaviour did not amount to negligence and therefore damages should not be sought. In October 2010, an increase of \$402 441 in the contract price was approved by the Council to accommodate engineering deficiencies that had occurred due to the errors and omissions in the engineering drawings.

The role of the working group appears to have changed over time without any formal decision-making by the Council. Initially the group seems to have been formed to organise and advise on the outcomes of the audit and feasibility study.<sup>24</sup> At the 28 November 2007 Council meeting, the working group was requested to prepare the specifications for the facility's architectural design process.<sup>25</sup> Following completion of the design tender process, however, involvement of the working group in the project seems to have ceased.

There was no evidence provided to the Special Inquirer that indicates the group's terms of reference were updated following the November 2007 change and incorporated into a governance framework for the project.

A review of the Town of Port Hedland Council meeting minutes specifies that it was provided with periodic project updates and did consider issues that arose during the project. The Town of Port Hedland provided quarterly reports to the Department of Regional Development and Lands, and annual reports for 2010/11, 2011/12 and 2012/13.

In a 2013 Wanangkura Stadium Review, Core Business Australia Pty Ltd recommended that the Town of Port Hedland Council avoid the use of working groups due to transparency and accountability implications, and noted that the *Local Government Act 1995* does not allow Councils to delegate authority to a working group.<sup>26</sup>

The Council's response<sup>27</sup> to the review requested the Chief Executive Officer

*"establish a Town of Port Hedland internal project team ... to review recommendations and establish a process improvement program to ensure that the deficiencies identified during this project are mitigated for any future projects that the Town undertakes,"*

and to report back to the Council on this program. The Town of Port Hedland advised<sup>28</sup> that a report discussing the Town's formal decision-making process was presented to the Town of Port Hedland's Council on 11 December 2013 and resulted in abolition of the majority of working groups.

The decision-making framework and oversight functions for this project were flawed. Rationales for material decisions were not documented, key project milestones were missed, and there were significant engineering issues.

## Oversight role

The Town of Port Hedland effectively abdicated its oversight role as project superintendent to a project management contractor.

<sup>24</sup> Town of Port Hedland, *Minutes: Ordinary Council Meeting*, (22 February 2006), 54.

<sup>25</sup> Town of Port Hedland, *Minutes: Ordinary Council Meeting*, (28 November 2007).

<sup>26</sup> Core Business Australia Pty Ltd, *Town of Port Hedland Wanangkura Stadium Review*, (14 May 2013), 22-24.

<sup>27</sup> Town of Port Hedland, *Minutes: Ordinary Council Meeting*, (22 May 2013), 290.

<sup>28</sup> Town of Port Hedland response to hearing questions taken on notice, received 20 October 2017.

The Core Business Australia review<sup>29</sup> states that:

- “in handing over the superintendence to a third party, a local government must ensure that firstly there is sufficient delegated authority to the CEO and secondly, sufficient delegated authority from the CEO to the Superintendent. This does not appear to be the case in relation to the project;” and
- “it is not lawful to delegate authority to someone other than a natural person.”

This situation led to the project manager having the ability to grant practical completion on Wanangkura Stadium which apparently occurred prior to defects including the insufficient water flow and pressure issues being addressed.

### **Consultation with the Department of Sport and Recreation**

When discussions about recreation facilities began in February 2006, the Department of Sport and Recreation (now the Department of Local Government, Sport and Cultural Industries) was engaged as a ‘potential funding body’. Content of the Town of Port Hedland Council minutes suggests the discussions were focused on funding rather than community need for facilities, but this is not expressly stated. There is reference to an expectation that the Department would provide \$1.5 million<sup>30</sup> from the Department of Sport and Recreation’s Community Sport and Recreation Facilities Fund. This funding did not eventuate.<sup>31</sup>

Consultations that occurred following the facilities audit of July 2006 included sporting clubs and associations within the Town of Port Hedland. Feedback was not sought from the Department of Sport and Recreation,<sup>32</sup> that had been identified as a key project stakeholder.<sup>33</sup> The Department of Local Government, Sport and Cultural Industries confirmed with the Special Inquirer that there are no records of formal consultation by the Town of Port Hedland in relation to Wanangkura Stadium.

### **Project management**

It is apparent that lack of planning resulted in the Town of Port Hedland failing to meet key project milestones and to identify design and engineering errors before commencement of construction. Further, poor planning led to the failure to identify fire service requirements which led to additional costs.

The audit and feasibility study provided a rationale for the construction of a multipurpose recreation stadium in Port Hedland. As noted above, the governance was deficient and this would have been a contributory factor in the poor management of the project.

A project management service was appointed by the Council. There is no evidence through Council minutes that this contract was properly managed.

<sup>29</sup> Core Business Australia Pty Ltd, *Town of Port Hedland Wanangkura Stadium Review*, (14 May 2013), 35-36, 42-45.

<sup>30</sup> Town of Port Hedland, *Community Infrastructure Implementation Plan (Hedland’s Future Today (2009-2014))*, (January 2009), 15.

<sup>31</sup> Department of Primary Industries and Regional Development response to Special Inquiry Questions on Notice, received 26 September 2017.

<sup>32</sup> Town of Port Hedland, *Minutes: Ordinary Council Meeting*, (27 September 2006), 112.

<sup>33</sup> Town of Port Hedland and Department of Local Government and Regional Development, *Financial Assistance Agreement*, (29 June 2009), 60.

## Business case

There was no business case. This means that the scope was not properly defined, options analysis was not evident and financial requirements for the capital works and ongoing costs were inadequate. A robust business case would have provided milestones to allow for proper project management that would have assisted in avoiding the delays that plagued the project. Detailed plans about the configuration and functionality of the centre would have mitigated the risks of design, engineering and other defects that later occurred.

## Financial analysis – costs and benefits

The development of a business case would have allowed for a detailed financial analysis of the undertaking – capital works and ongoing costs.

The costs for the feasibility study and the Core Business Australia review are not known and it is unclear whether they (together with the costs of the audit) are included. Costs for temporary alternative accommodation arrangements during the closure, remediation and ongoing repair are also vague.

In January 2009, the Town of Port Hedland submitted an application to the Department of Local Government and Regional Development (which became the Department of Regional Development and Lands on 1 July 2009) for \$20.2 million, of which \$10.5 million was to be used for the multipurpose recreation centre. The funding was sought from the Royalties for Regions fund pursuant to the Pilbara Revitalisation Plan.<sup>34</sup> The funding was approved by Cabinet in June 2009<sup>35</sup> and resulted in the Town of Port Hedland and the Department of Local Government and Regional Development entering into a financial assistance agreement on 29 June 2009 – two days prior to the change of agency name.<sup>36</sup>

In December 2009, the two parties entered into a variation to the original financial assistance agreement, increasing funding from \$10.5 million to \$11.1 million. This \$600 000 increase was made possible by the deferral of another local project from the Community Development Project.<sup>37</sup>

The level of detail in the request for funding is not known. As stated, there was no business case and the Town of Port Hedland has been unable to provide the Special Inquirer with a detailed cost benefit analysis for the construction of the facility.

The Department of Primary Industries and Regional Development confirms that there is no record of options, cost or benefits analysis for the project.

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<sup>34</sup> Department of Primary Industries and Regional Development response to Special Inquiry questions on notice, received 26 September 2017.

<sup>35</sup> Ibid.

<sup>36</sup> Department of Local Government and Regional Development and Town of Port Hedland, *Financial Assistance Agreement for a Royalties for Regions Project*, (29 June 2009).

<sup>37</sup> Department of Regional Development and Lands, Acting Director General's letter to the Town of Port Hedland's Chief Executive Officer regarding a request for variation of the financial assistance agreement, (received 23 December 2009).

## Ongoing operational costs

At its meeting on 13 December 2006, the Council requested an assessment of ongoing financial costs to be reported by the working group. Early financial modelling was provided in the September 2007 feasibility report and forecast an operating deficit for the centre between \$250 000 and almost \$1 million per annum.<sup>38</sup> The Council reviewed these figures again in December 2009 noting that the business plan for the facility that had been requested in May 2009 with more accurate estimates was yet to be prepared.<sup>39</sup>

## Project cost and funding

The Special Inquirer agrees with the Core Business Australia report to the Council which noted that "it is very difficult (if not impossible) for an outsider to work out what the project budget was both in terms of income /expenditure and cash flow". This is due to interchangeable reference to project income and expenditure and apparent confusion of the Town of Port Hedland's officers between the Council's adopted budget and the project budget.<sup>40</sup>

From what can be ascertained, the following funding was budgeted by the Town of Port Hedland for the stadium.<sup>41</sup>

**Table 1: Stadium funding**

CONTRIBUTOR	\$ MILLION
Auzcorp (Area B)	2.5
Auzcorp (Mia Mia)	1.75
Compass Group (Port Haven)	8.7
BHPBIO Sustainability Partnership	11
Royalties for Regions	11
Council contribution	0.25
<b>Total</b>	<b>35.3</b>

The contributions from Auzcorp and Compass Group were calculated not on the basis of a lump sum but the income the Town of Port Hedland was expecting to receive over the term of their leases for the Airport Camp site and other airport land. This relied on the Town borrowing funds to finance construction of Wanangkura Stadium.

On 3 February 2012, the Town of Port Hedland obtained a loan from the Western Australian Treasury Corporation for \$7.8 million. The income received from Auzcorp and Compass Group each year was contributed towards principal and interest repayments for this loan.

<sup>38</sup> Jill Powell & Associates and Paterson Group Architects, *Town of Port Hedland Multi Purpose Indoor Sports Feasibility Study*, (September 2007), 51.

<sup>39</sup> Town of Port Hedland, *Minutes: Ordinary Council Meeting*, (9 December 2009), 157-159.

<sup>40</sup> Core Business Australia Pty Ltd, *Town of Port Hedland Wanangkura Stadium Review*, (14 May 2013), 38.

<sup>41</sup> Town of Port Hedland, *Minutes: Ordinary Council Meeting*, 28 July 2010.

Auzcorp's (Area B) contribution was based on a commitment made by Auzcorp to the Department of Regional Development and Lands in the tender arrangements for the land. There was no formal arrangement and in April 2013 it became apparent that the "arrangement between Auzcorp and RDL (sic) [was] not likely to proceed."<sup>42</sup>

The money had been spent by April 2013 and the shortfall was affecting other funding commitments. The Town of Port Hedland was obliged to borrow a further \$2.5 million from the Western Australian Treasury Corporation.<sup>43</sup>

There are many inconsistencies in the documentation provided by the Town of Port Hedland including in project cost, funding sources and individual contributions.

The reported total cost is \$35 808 553.<sup>44</sup> The Special Inquirer is not certain whether this includes all actual costs. The total cost does not refer to the feasibility study or the recreation facilities audit. There is no reference to the cost to provide temporary accommodation for Wanangkura Stadium gym members and other clientele (approximately \$80 000).

The Town of Port Hedland has advised that the average operating deficit for Wanangkura Stadium is \$380 000 which is towards the lower end of the estimations identified in the feasibility study.<sup>45</sup> It is assumed that this includes the costs associated with the annual flooding.

### **Benefits realisation**

Construction of the multipurpose recreation centre was expected to deliver "countless" benefits in the areas of "social capital, health and wellbeing and community engagement", and to "...facilitate social interaction, contribute to community health and wellbeing, provide programs within and across age groups, and provide a venue for elite indoor sport". These objectives were included in the financial assistance agreement with the Department of Local Government and Regional Development.

Communications between the Town of Port Hedland and the Department of Regional Development indicate that there has been increased sporting participation, although many key performance indicators for the stadium have not been met "due to space limitations".<sup>46</sup> Further detail in relation to the key performance indicators was not provided. During its hearing with the Special Inquirer, however, the Town of Port Hedland advised that the stadium "looks great from the outside, not hugely functional inside".

Evaluation of Pilbara Community Development Projects commissioned by the Department of Regional Development and Lands in 2012 found that the developments had positive impacts and "provided space for

<sup>42</sup> Town of Port Hedland, *Confidential Late Item: Ordinary Council Meeting*, (24 April 2013), 2.

<sup>43</sup> *Ibid.*

<sup>44</sup> Town of Port Hedland response to Special Inquiry hearing questions taken on notice, received 20 October 2017.

<sup>45</sup> *Ibid.*

<sup>46</sup> Town of Port Hedland response to the Department of Regional Development questions in relation to the project acquittal documentation (undated)

community services, enabled a diverse range of activities for a wide range of users and in general provided more things to do for local residents. Flow-on benefits are already emerging within the community." The review also noted however, one interview respondents comments that the recreation centre isn't providing anything new to do. " It's just provided them somewhere else to do it."<sup>47</sup>

## Risk management

The risk assessment undertaken for the project was not adequate. It was very brief and did not consider risks such as:

- engineering and building design deficiencies;
- non-compliance with the *Building Code of Australia and Building Act 2011*; and
- lack of demand for the facility.

As noted, there was a number of design and engineering defects during and after construction and the final construction failed to comply with building code requirements.

The September 2007 feasibility study projected stadium attendance in the first year of operation to be 145 600 with the worst case scenario being 100 000 people. There was a projected increase in subsequent years. The Town of Port Hedland informed the Special Inquirer that the average visitor numbers since opening the facility in 2013 have been 110 000 per year. It is noted that the Port Hedland Turf Club expressed concerns as to whether the projections from the feasibility study were realistic.

## Project delays

The funding assistance agreement entered into by the Town of Port Hedland Council in 2009 stipulated the following milestone dates.

**Table 2: Milestone dates**

MILESTONE	DATE
Approval of budget	July 2009
Completion of architectural designs and construction drawings	October 2009
Procurement (project, construction)	November 2009
Projects awarded	December 2009
Project commences	January 2010
Sign off and finalisation	November 2011

There were early indications that deadlines were unrealistic.

- Completion of the architectural designs and construction drawings were delayed by over a year as the designs needed to be modified 'due to cost overruns'.
- Construction commencement dates were then revised as potential tenderers requested an extension for submission of responses given the scope of the project.

<sup>47</sup> Clear Horizon, Special Impact Assessment of the Royalties for Regions 2008/2009 Pilbara Community Development Projects, (2 November 2012), 60, 68.



The Town of Port Hedland underestimated the extent of works involved and the complexity of the project. Deadlines for completion were revised to January 2012 and then later to June 2012.

While the stadium was officially opened on 29 July 2012, the complex had to be closed four days later due to non-compliance with the Building Code of Australia.

### **Construction project management**

As previously noted, the project was managed by a contracted entity and not directly supervised by a representative of the Town of Port Hedland.

A number of issues<sup>48</sup> occurred after the commencement of the construction of the Wanangkura Stadium including:

- deficiencies in the civil and engineering drawings resulting in additional costs;
- inefficient internal design with a potential to increase the operating deficit of the facility; and
- insufficient water flow and pressure resulting in non-compliance with the Building Code of Australia.

It is not apparent as to who was responsible for oversight of the civil and engineering drawings. As previously stated, governance was not robust and there was no formal framework in place. The Council sought legal advice about the ability to recoup additional construction costs from the consultant and in October 2010 requested the project managers (Turner & Townsend Thinc) to have a peer review undertaken of the civil and engineering drawings and specifications.<sup>49</sup> Although the project managers obtained quotes for the work, the Special Inquirer saw no evidence of the review having been undertaken.

In April 2011 the Town of Port Hedland Council was advised that Complete Community Solutions Strategic Management, engaged to prepare the management plan for the multipurpose recreation centre, identified a lack of functionality of the existing floor design. This was likely to result in a higher operating deficit. While the stadium design had been subject to community consultation, it is apparent that the Town of Port Hedland did not consider the internal design of the complex in terms of expected operational cost. This is a further example of a poor outcome from inadequate planning. The Town of Port Hedland was not advised of internal design deficiencies until April 2011, when available redesign options were limited.<sup>50</sup>

**In its 2013 review, Core Business Australia considered the procurement processes and observed that the process used to appoint consultants for professional services was inappropriate.**

<sup>48</sup> Town of Port Hedland, *Minutes: Ordinary Council Meeting*, (14 September 2011), 65.

<sup>49</sup> Town of Port Hedland, *Confidential item: Special Council Meeting*, (15 October 2010), 5.

<sup>50</sup> Town of Port Hedland, *Minutes: Ordinary Council Meeting*, (14 September 2011), 65.



## Remediation

On 28 July 2012 the Council became aware that the water flow and pressure at Wanangkura Stadium was “insufficient ... to comply with fire control requirements”. Although the Town was advised that the issues had been addressed, inspection of the facility on 26 July 2012 indicated this was not the case. Consequently, a number of temporary measures was put in place to enable opening celebrations to proceed between 27 and 29 July 2012.<sup>51</sup>

By 2 August 2012 no feasible option to address the issues could be found and water tests confirmed on 2 August that the facility was non-compliant with the Building Code of Australia. Wanangkura Stadium was closed on 3 August 2012.<sup>52</sup>

Remediation works were undertaken in two stages. Two water tanks were installed at a cost of \$432 927. This was completed on 21 September 2012. A further \$335 985 from the contingency fund was used to install boost pumps. This was undertaken through another contract variation with Doric.<sup>53</sup>

## Current situation

At its hearing with the Special Inquirer, the Town of Port Hedland advised that:

*“... there are definitely issues with the stadium. It’s constructed too low, the concrete pad. So it’s prone to flooding. It’s definitely visible when you approach it ... If you stand close to the site you’ll see it’s well below the road level ...it floods every time there is a heavy rain, annually.”<sup>54</sup>*

In May 2008 when architects were appointed to design the multipurpose recreation centre, the Council resolved to change the proposed location of the facility from the area where the Finucane Island Club was located to another site. The Town of Port Hedland Council did not provide the Special Inquirer with any information explaining the decision to change the site and no reasons are noted in the May 2008 meeting minutes.

The Special Inquirer has reviewed additional Council minutes and was unable to identify any rationale or justification for the decision.

## Procurement and contract management

Services to complete the audit, feasibility study, architectural design, construction and project management were procured by the Town of Port Hedland. In its 2013 review, Core Business Australia considered the procurement processes and observed that the process used to appoint consultants for professional services was inappropriate.<sup>55</sup>

<sup>51</sup> Town of Port Hedland, *Minutes: Ordinary Council Minutes*, (8 August 2012), 179.

<sup>52</sup> The Building Code of Australia (BCA) is a uniform set of technical provisions for the design and construction of buildings and other structures throughout Australia. (Australian Building and Construction Commission, [www.abcc.gov.au](http://www.abcc.gov.au))

<sup>53</sup> Town of Port Hedland, *Minutes: Special Council Meeting*, (1 November 2012), 15, 19.

<sup>54</sup> Town of Port Hedland Special Inquiry hearing, 13 October 2017.

<sup>55</sup> Core Business Australia Pty Ltd, *Town of Port Hedland Wanangkura Stadium Review*, (14 May 2013), 35 – 36, 42 – 45.

The Town used the consultants' average hourly rates to select a preferred provider. The evaluation of the submissions was insufficient. Submissions that did not include input from a senior partner (who charged higher rates than senior and junior consultants) were considered better value for money. A fairer process would have been to formulate a 'mock project',<sup>56</sup> apply the respective rates, and then assess the results of each submission. This flawed logic also meant that the assessment of value for money did not include enough consideration of criteria based on quality.

The Core Business Australia review also found that the appointment of the design consultants was made on the basis that extra points would be scored for the intention to use local subcontractors. If local governments wish to take into account the higher cost of regional products to enable a fair cost comparison across different providers, under the legislation local governments outside the metropolitan area must adopt a regional price preference policy.<sup>57</sup> No such policy was adopted by the Town of Port Hedland. There was also no evidence that the local sub-contractor was used, and it is unknown as to how the local supplier information came to the attention of the tender panel as there was no allowance for that in the tender form.<sup>58</sup>

The review also noted that Doric was advised that it was the successful contractor prior to the completion of contract negotiations. Further, construction of the complex commenced and a bulk earthworks contract was signed with Doric prior to the construction contract being finalised.<sup>59</sup>

During the project, a need for remediation works was identified to address a number of issues including the water pressure and flow and pressure. The Town of Port Hedland Council opted to vary the construction contract with Doric rather than go to market again. This decision was made because of the urgency of the situation. This urgency was dictated by the possible health and safety implications. The Special Inquirer is of the view that this was appropriate. Although not applicable to the Town of Port Hedland, the State Supply Commission procurement policies allow for an exemption from an open process in circumstances such as these at the stadium.

The Town of Port Hedland did not attempt to recover any of the additional costs of remediation works from either the construction consultant or the project management consultant. The Town admitted that the initial project budget did not identify the fire service requirements. These would therefore always come at an additional cost.<sup>60</sup>

Based on the Core Business Australia review, the Town of Port Hedland stated it has implemented recommendations including the review of the tender evaluation policy and process, adoption of a regional price preference policy, and development of a tender award letter template that references a specific

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<sup>56</sup> *Ibid.*, 31.

<sup>57</sup> *Local Government (Functions and General) Regulations 1996*, s 24E

<sup>58</sup> Core Business Australia Pty Ltd, *Town of Port Hedland Wanangkura Stadium Review*, (14 May 2013), 31, 33, 36,

<sup>59</sup> *Ibid.*, 40-41.

<sup>60</sup> *Ibid.*, 58.

Council decision approving the Chief Executive Officer to have delegated power of authority.<sup>61</sup>

In addition, following identification of deficiencies in the engineering and civil drawings, the Council requested updates to the Town's procurement policy and

*"for the Acting Chief Executive Officer to investigate alternative contract arrangements with the Town's Project Managers and Architects for the multipurpose recreation centre and other major projects to ensure greater accountability".<sup>62</sup>*

Evidence was provided by the Town of Port Hedland that the policy has been amended<sup>63</sup> and delegated authorities for evaluation panel members have been improved.<sup>64</sup> The Town advised the Special Inquirer that since 2013 there have been regular reviews of tender and procurement policies and related delegations. The policy was substantially changed in 2016 and minimum requirements for tender activities were removed and replaced by the *Tender Evaluation policy* with a focus on tender assessments, selection criteria and criteria assessment weightings. Based on the documentation provided, the Special Inquirer is of the opinion that the revised 2016 policy is a step backwards rather than one which leads to improvements in openness and transparency.

## RECORD KEEPING

The Special Inquirer observes that actions undertaken by the Town of Port Hedland were not sufficient to address record management issues noted by Core Business Australia in 2013. Despite the Town reviewing its record keeping plan, associated policies and internal operating procedures in December 2013, the Town indicated that it had difficulty in locating relevant documentation to provide to the Special Inquirer.

## FINDINGS

1. The project proceeded without a business case and sufficient financial or risk analysis. This resulted in a poorly run project where the sources and uses of funding were not properly controlled, and risks impacting the success of the project not understood.
2. The Town of Port Hedland authorised the commencement of the project before formal funding arrangements were in place. During the project the Council approved expenditure based on funding that had not been confirmed.
3. Even by Royalties for Regions standards, justification for the use of government funds on this project is difficult to comprehend. This is another example of funding being provided from an overarching 'bucket' of money and no formal assessment of the individual projects, and in this case without seeking input from the Department of Sport and Recreation.
4. Governance of the project was poor. Roles and responsibilities of decision-making groups and individuals were not assigned, and there was no formal arrangement for robust monitoring and reporting within the Town of Port Hedland. Decisions were made without reasons being given and the Town of Port Hedland Council spent money it did not have.

<sup>61</sup> Town of Port Hedland response to Special Inquiry hearing questions taken on notice, received 20 October 2017.

<sup>62</sup> Town of Port Hedland, *Confidential Item: Special Council Meeting*, (15 October 2010), 5.

<sup>63</sup> Town of Port Hedland, *2/007 Procurement Policy - 2011/12*, (19 June 2011).

<sup>64</sup> Town of Port Hedland, *2/011 Tender Policy - 2011/12*, (8 June 2011).

5. The project encountered numerous deficiencies and delays, and many key project milestones were not met.
6. The building outcome is poor. The building did not meet Building Code requirements upon opening, is said to be poorly configured which reduces functionality, has high operating costs and floods regularly.
7. While the official total cost indicates the project was only slightly over budget, the Special Inquirer cannot ascertain whether this includes all costs.
8. Although sporting participation in Port Hedland has increased, the stadium is not achieving all of its key performance indicators.
9. It is unclear to the Special Inquirer as to how ongoing remedial works are being funded.
10. The Town of Port Hedland's record keeping practices are inadequate.

## **RECOMMENDATIONS**

1. The Town of Port Hedland must review the stadium's configuration and design and examine the causes for flooding to determine whether these can be rectified.
2. The Town of Port Hedland must ensure that future projects have appropriate governance and are managed well. This includes a robust business case, financial and risk analysis, cost/benefits analysis, project management and a framework for decision-making and reporting.
3. The Town of Port Hedland must implement processes to improve its record keeping practices and ensure that it complies with the *State Records Act 2000*.